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E.O. 12356: DECL OADR

TAGS: EFIN, PD

SUBJECT: POLAND, THE US AND DEBT RESCHEDULING

REF: WARSAW 8086

1. EMBASSY IS REQUESTED TO MAKE DEMARCHE TO KARCZ DRAWING ON PARA'S 2-4 BELOW BEFORE PARIS CLUB POLISH TASK FORCE MEETING ON SEPTEMBER 14. FYI: THE USG DOES NOT BELIEVE FORMAL CONSTABLE-KARCZ MEETING REQUESTED BY KARCZ WOULD BE USEFUL AT THIS TIME; WE WOULD LIKE TO KEEP THE DISCUSSION OF A PAYMENT FORMULA FOR THE 1981 ARREARS IN PARIS CLUB RATHER THAN BILATERAL CHANNELS TO AVOID USG ISOLATION ON THE ISSUE OF THE 10 PERCENT NON-CONSOLIDATED DEBT. HOWEVER, IF THERE ARE BILATERAL ISSUES WHICH MIGHT IMPEDE A PARIS CLUB AGREEMENT OR DELAY PAYMENT BY POLES ONCE PARIS CLUB AGREEMENT IS REACHED, WE NEED TO FIND OUT WHAT THEY ARE AND ADDRESS THEM AS QUICKLY AS POSSIBLE. END FYI

2. IT IS USG'S HOPE THAT THE SEPTEMBER 14 MEETING OF THE POLISH TASK FORCE WILL RESOLVE PROBLEMS OVER PAYMENT OF ARREARS UNDER THE 1981 RESCHEDULING AGREEMENT, AND THEREFORE A MEETING BETWEEN DAS CONSTABLE AND MR. KARCZ WOULD NOT APPEAR TO BE USEFUL AT THIS TIME. IF AGREEMENT IS REACHED ON THE REPAYMENT OF THOSE ARREARS, WE HOPE THAT THE POLES CAN MOVE QUICKLY TO MAKE THE REQUIRED PAYMENTS TO THE USG SO THAT WORK ON THE 1982-84 RESCHEDULING CAN PROCEED.

3. WE ARE NOT AWARE OF ANY BILATERAL DIFFERENCES OR IMPRECISIONS WHICH WOULD MAKE SPEEDY PAYMENT BY THE POLES A PROBLEM, PARTICULARLY IN LIGHT OF DAS CONSTABLE'S PROPOSAL THAT WE NOW PROCEED WITHOUT THE SIGNING OF THE IMPLEMENTING AGREEMENTS. WE ARE INTERESTED, THEREFORE, IN KARCZ'S REFERENCES TO BILATERAL DIFFICULTIES. WHAT ARE THESE DIFFERENCES? WE ARE UNDER THE IMPRESSION THAT THERE IS COMPLETE AGREEMENT ON THE DEBT NUMBERS AND THE RELEVANT DUE DATES IN THE IMPLEMENTING AGREEMENTS. IF THERE ARE BILATERAL PROBLEMS, WE HOPE THEY CAN BE WORKED OUT THROUGH THE EMBASSIES IN WARSAW AND WASHINGTON AS QUICKLY AS POSSIBLE.

4. REGARDING KARCZ'S UNDERSTANDING OF THE PARIS CLUB POSITION ON PAYMENT OF THE NON-CONSOLIDATED DEBT AND LATE INTEREST (PER PARA 5 OF REFTEL), EMBASSY SHOULD REMIND

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KARCZ OF THE FOLLOWING LANGUAGE IN THE PARIS CLUB'S JULY 6 STATEMENT TO THE POLES: QUOTE: THE NON RESCHEDULED 10 PERCENT DUE AND NOT PAID ON THE 1981 RESCHEDULING, AS WELL AS THE CORRESPONDING LATE INTEREST, SHALL BE PAID IMMEDIATELY. ENDQUOTE.

5. FYI: THE DEBT NUMBERS NOTED BY THE EMBASSY IN REFTTEL ARE CORRECT. IT APPEARS THAT KARCZ'S ESTIMATE DOES NOT DIFFER GREATLY FROM THESE NUMBERS. THE DIFFERENCE BETWEEN WHAT THE POLES ARE WILLING TO PAY (DOLS 7 MILLION OR 20 PERCENT OF 36 MILLION) AND WHAT KARCZ INCORRECTLY PERCEIVES TO BE THE PARIS CLUB DEMAND FOR ALL OF THE 10 PERCENT (DOLS 28 MILLION) PLUS 20 PERCENT OF THE LATE INTEREST (DOLS 2 MILLION) WOULD EQUAL DOLS 23 MILLION (28 PLUS 2 MINUS 7) COMPARED TO KARCZ'S ROUGH ESTIMATE OF DOLS 24 MILLION.

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END OF MESSAGE

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